

~~SECRET~~

Acting Ch/C/RR

13 January 1956

Acting Ch/D/E/RR

Transmittal of ICA/MDAC Submission to EDAC Working Group III Entitled "Work Program for Working Group III with regard to U.S. Policy on Soviet-Bloc Economic Penetration Activities in the Free World"

1. Subject paper, prepared by Mr. Russell W. Hale, is transmitted herewith. It represents a counter submission to the State Department (Goodkind) paper, presented previously to Working Group III, which raised the question of the competence of the body to carry out its assignment from EDAC in the field of U.S. counter-action to Bloc economic penetration.
2. The ICA/MDAC paper will be considered by the Working Group at 1430 Wednesday 18 January 1956. In the event that Agency positions are called for, I will state as the CIA position the substance of the "Conclusions" (paragraph 4 below) unless otherwise instructed.
3. The official Agency position on the State paper is that "we accept it". In my opinion, if the Working Group prefers to forward the ICA paper, CIA would find it equally acceptable. The basic difference between the papers does not involve the role of intelligence, but relates to the respective roles of non-intelligence agencies and departments in planning and implementing U.S. actions to counter Bloc economic activities in the Free World.
  - (a) State takes the position that the subject has ramifications and high level implications which may extend beyond EDAC. State does not advance a concrete solution which delineates agency responsibilities and interrelationships. The State paper limits itself to pointing to the lack of full competence of Working Group III and, by implication, of EDAC.
  - (b) The ICA/MDAC paper does not flatly contradict the State paper. It points to the duty of EDAC to take positive action re economic defense aspects of Soviet activities, and to make recommendations to the Council on Foreign Economic Policy which body has previously used the EDAC structure to consider and report on certain aspects of U.S. foreign economic policy.
  - (c) Neither paper spells out the totality of the problem in enough detail to permit drawing firm conclusions. Both papers are exploratory and both lack ultimate recommendations that would fix agency positions and interrelationships. The ICA/MDAC paper

~~SECRET~~

S-E-C-R-E-T

focuses more sharply on the problem and also makes recommendations which, if adopted, would be an orderly procedure for insuring that policy directives take adequate account of economic defense aspects of the problem.

(d) The "Discussion" in the ICA/MDAC paper is not as broad as the statement of the "Problem". It would be appropriate to invert the words used and to restate the "Problem" as: "To define the responsibilities of Working Group III ... etc. ... in the light of the role of the economic defense community".

(e) Neither the State nor the ICA/MDAC papers identifies the agencies and components which should participate in the U.S. counter effort in this field.

4. My comments on the four recommendations in the ICA/MDAC paper are set forth below.

Recommendation 1: (WG III arrange for systematic, continuing flow to it of collated and analyzed data on Soviet bloc economic activities in the Free World)

Discussion:

It seems clear that EDAC needs to be kept fully informed on all aspects of Bloc economic activities in the Free World in order to carry out its economic defense responsibilities, entirely apart from the as-yet-undecided question of whether EDAC will serve as the overall coordinating and action-implementing mechanism of the U.S. government in countering such Bloc activities.

It also seems clear that all agencies and departments will benefit from the existence of a mechanism to maintain a current master record of what research and analysis projects are underway and to aid in bringing about inter-agency cooperation in the production of such projects. Since these studies represent a form of current rather than basic intelligence and all are required as the foundation for possible immediate action by one or another agency of the government, the selection of subjects and the programming of analysis ultimately is a matter for decision by user components of the agencies and not producer components. The role of the producers, including the intelligence components, therefore, is to accept (to the limit of capabilities as agreed to by the producers) the requirements levied and through coordination arrange for the most efficient servicing of those requirements.

If EDAC (i.e. ICA or MDAC) were to be designated as the mechanism for coordinating and implementing U.S. actions to counter Bloc economic

-2-

S-E-C-R-E-T

S-E-C-R-E-T

activities in the Free World, it is likely that Working Group III and its Research Planning Panel (perhaps with somewhat broader representation) would be the action agency mechanism used. In this event, EDAC could be expected to look to the Economic Defense Intelligence Committee as the mechanism through which the intelligence producers could cooperate.

If some entity other than EDAC were to be designated as the mechanism for coordinating and implementing U.S. actions, the Economic Intelligence Committee might prove to be a suitable mechanism to provide for orderly intelligence production.

Conclusion:

A CIA position on recommendation one (1) requires the Agency merely to indicate a general willingness to contribute appropriate intelligence support to the various potential U.S. consumers (departments and agencies) in order to assist in coping with the economic penetration problem.

On the narrow issue, CIA recognizes that Working Group III, at least for economic defense reasons, has a "need to know", and hence CIA is willing to continue to respond to EDAC and Working Group III requests for intelligence on various aspects of Bloc economic activities in the Free World.

The definition of the role of Working Group III is a matter for decision among the action agencies.

Recommendation 2: (WG III review existing national policy directives, i.e. NSC 152/3, to recommend revisions to bring up to date re Soviet economic activities in the Free World; such proposed restatement to be forwarded through EDAC channels to CFEF and thence NSC. WG III prepare up-to-date revision Staff Study # 12, including data on current status and impact Soviet Bloc economic activities in Free World.)

Discussion:

There is no doubt of the authority of EDAC to direct its Working Group III to undertake a new examination of NSC 152/3 and to draft an up-to-date revision of Staff Study #12. The predecessor of Working Group III (EDAC Working Group 5) supervised the preparation of Staff Study #12 and of the redraft of NSC 152/3 which were submitted to the CFEF last summer. At that time the CFEF deferred its recommendations on the draft presented to it due to the imminence of the first Geneva Conference, but the CFEF directed EDAC to continue its study of the subject.

- 3 -

S-E-C-R-E-T

S-E-C-R-E-T

Conclusion:

As concerns recommendation 2(a), which visualizes the collation and analysis of factual data on the current status and impact of Soviet Bloc economic activities in the Free World, CIA will cooperate with other agencies possessing information bearing on this subject in order to assist in the revision of Staff Study #12 by EDAC Working Group III.

As concerns recommendation 2(b), CIA is willing to continue to participate in an EDAC review of existing national policy directives in the same manner as the Agency participated in the spring of 1955. No new or additional Agency commitment is involved.

Recommendation 3: (As an interim measure, WG III shall undertake active surveillance of Soviet bloc economic activities in the Free World, examining individual cases in the light of NSC 152/3.)

Discussion:

This recommendation concerns a stop-gap measure pending the new specific agency assignments which may develop from the policy reconsideration covered by recommendation two (2).

Conclusion:

Same as for recommendation one (1). (See above, p. 3)

Recommendation 4: (WG III should keep the EDAC Executive Committee informed of the work programs and recommendations of other inter-agency groups dealing with U.S. policies to counter Bloc activities in this field.)

Conclusion:

This provision requires no comment and is not objectionable to CIA.

Encl: 1

3 - copies of "Work Program for  
Working Group III ...."  
D/E/RR:NCF:ncf:2558 (13Jan56)

Distribution:

Original & 1 - Addressee  
1 - EDAC  
2 - D/E/RR Chrono

25X1A9a



-4-

S-E-C-R-E-T